

# HUD CNA eTool

## Using Narratives Effectively

Charlie Wilkins: Hi. My name's Charlie Wilkins with the Compass Group, LLC. I'll be your presenter today. We'll be talking about HUD's CNA e-tool and in particular the use of narrative to best effect. You see on the welcome slide that I'd like you to have your phone lines muted. If your PC has a microphone, please make sure that microphone is turned off so we don't have feedback during the initial session today.

We'll be using the chat box on the right of your screen to communicate with each other during the first part of the presentation. If you don't see a chat box, look at the top right of your screen. You should see the word chat toward the top right in blue font. If you click on that icon, a chat box will open.

We'll be delivering two sections of the webinar today. The first part will be recorded. We'll use the chat box to interact, so if you have questions during this first part, you can send them either to me, I'm CNA webinar, or you can send them to everyone. Mostly, we'll be talking about lessons learned, and this is feedback from HUD's CNA reviewers about the first 400 submissions.

After that, we'll turn the recording off and we'll unmute everybody and we can talk voice-to-voice as in a classroom. So during this recorded portion, you'll want to use the chat box, both to pose questions to me and to let me know if you're having any sort of technical difficulty. We'll be talking primarily about lessons learned. Secondly, we'll spend some time talking about resources that are important and where to find them.

And then, at the end of the session, we'll have a voice-to-voice discussion about problem areas. That's just a summary of the agenda. Probably about half of the time, we'll be in the recorded session and the other half, we'll be talking voice-to-voice.

HUD has received roughly 400 CNA e-tools so far. The volume has ramped up quite quickly and of these, about a fourth have been approved, about a fourth have been returned, and the rest are approved -- are in process in some way. The returns have had to do largely with either flag notes or with attachments or photos.

Narrative really hasn't been much of a factor in whether CNAs have been returned for resubmission. But narrative has been a big factor in how quickly your HUD reviewer can understand your submission and approve it. And it's clear from discussions with HUD reviewers that their desired outcome is to understand quickly you're recommending, understand quickly that you made good recommendations, approve your submission, and move on.

And in order to achieve that outcome, they have to be able to find their way around your submission and your submission has to not only present your recommendations, but also has to show your reviewer that your thinking process was good and that your recommendations make sense. And for that purpose, narrative is really essential.

We'll talk about resources for a moment. The ground zero for finding resources about the CNA e-tool is HUD's CNA e-tool webpage. You'll see the URL there on your screen. The simplest method is to go to your search engine, type in something like HUD CNA or HUD e-tool or HUD capital needs assessment, and it should bounce you right to this page.

There have been a number of recent updates. Now, I'll talk about those. There's a new version of the Excel assessor tool, version 1.2A number 6. Any version 1.2A is accepted at this point. There's no requirement that you use specifically version 6. But of course, if you're starting a new CNA, you would want to start with the most current version.

The new assessor tool is part of CNA e-tool release 2.2. There's a changes document that details everything that was modified in that release. And that included changes to the public validation portal and to the non-public submission portal, and one has to have credentials in order to access the submission portal. And typically, that's used by lenders.

Periodically, HUD issues what they call operational bulletins. This is one of the ways HUD communicates with users of the CNA e-tool. The operational bulletins give a sense of what issues are being worked on at the moment and what's likely to be in the next release. There's also a document called Known Issues and Solutions.

If you're having any technical difficulties with the CNA e-tool, you should look at this document because it probably talks about the difficulty you're having. It will talk not only about reassuring you that HUD is aware of the issue, but presenting any workarounds and solutions that have been identified.

There is a new version of the RFR financial factors tool, version 2.0. It's available on the CNA e-tool webpage, also on the MAP guide webpage. We'll talk more about that tool later in the presentation. And finally, the rental assistance demonstration program has hosted a PowerPoint presentation about using the CNA e-tool in RAD transactions.

Probably the next big update that will be posted will be something from HUD's asset management group. They are working on guidance for the CNAs that are due every 10 years for existing insured and assisted properties. So expect in the next month or two to see something from HUD's asset management group giving further instructions about how to prepare CNAs for asset management. In the meantime, you would follow the guidance in the MAP guide if you're preparing a CNA for asset management.

So the HUD reviewers have provided feedback on the first 400 submissions and in particular, this section, we'll talk about feedback on narratives and comments. The most important point is here on this slide. You're really trying to get across to your HUD reviewer what your recommendations are.

And your HUD reviewer will focus on the most impactful recommendation, and those might include ones having to do with level two, level three alterations. Ones that may require construction drawings and anything about your transaction that's unique. Maybe there's something unique or atypical about the property. Maybe there's something unique or atypical about your recommendations.

And in particular, if your recommendations are departing from guidance in the MAP guide, you'll want to explain not only what you're recommending, but why. And the why part is really a key. One of the key feedback areas that the HUD reviewers had regards what we might call boilerplate.

So this would be things such as the -- any quotes you might want to make from the local zoning ordinance or excerpts from the local building code. Quotes you might have wanted to include from the MAP guide or from accessibility guidance. Your reviewer does not want to wade through documents like that in order to get to what you recommended and why.

So it's a good idea if you have things like that that you think you need to attach, whether it's for ASTM compliance or for some other reason, put it in an attachment, use a descriptive title for the attachment so that if your reviewer needs to look at that, they'll know exactly where to find it. But don't clutter up the general thrust of your presentation with things like that.

There are three ways to enter narrative in the CNA e-tool. The first one is the narrative tab in the assessment tool itself. So on your screen, in the foreground, you'll see what the form view of the assessment tool looks like. There's a red rectangle around 3.4, mechanical and electrical systems. There's a red arrow pointing to the commentary that the assessor has entered.

Each of these commentary boxes can hold up to 2,000 characters. It's a good practice to develop your commentary in a word processing program that counts characters and that way, you can be sure you're not exceeding the 2,000-character limit. In an earlier delivery of this material, one of the participants said that they were having trouble getting the validation engine to accept the last 400 or 500 characters.

And we checked with the CNA e-tool programmers and they said possibly what had happened is that the CNA provider was typing the commentary directly into the worksheet. So this is the light blue background material you're seeing in the background of the slide. And it's perfectly okay to type material directly into the worksheet, but HUD recommends that before you submit, you open the form, which is the gray background item that you see in the foreground of the slide. Open the form, close the form, save your assessment tool, and then that's what you submit.

There's actually something about opening the form and closing the form that prepares the assessment tool for validation and HUD's programmers expect that failure to take that step may be the thing that was causing this participant's problem, as HUD did test exactly 2,000 characters and it's accepted in validation, no problem. So it may have been that the user who was having problem was used to typing directly into the worksheet and was not taking the step of opening the form, closing the form, saving everything before submitting for validation.

When you enter information in the narrative tab, there are two places where it appears as output. So in the validation or submission portal, you will see in the reports panel assessment summary report. You can download that, you can print it, and you can also see in the narrative panel each of the narratives.

Now, you'll notice in the narrative itself the assessor has not typed the words executive summary or in the previous slide, the assessor has not typed in the commentary 3.4, mechanical and

electrical systems. The CNA e-tool does that for you, so it's not necessary to repeat that in the commentary box.

A second way of entering narrative information is to use the comment fields that are in the assessment tool, and we'll include some examples in the next few slides. So here is the components form. There are three places where narrative could be entered. One is in the notes field. One is in the remaining useful life comments field. And one is in the location field. And each of those are highlighted with red rectangles on your screen.

In an earlier delivery of this material, a participant commented that they didn't like the standard useful lives and felt like those were arbitrary and were constricting the assessor's judgment. And I wanted to provide some clarification from HUD on this. When HUD developed the table of standard estimated useful lives, HUD did a lot of outreach to assessors and lenders and other program participants and the table went through many iterations before arriving at its current form.

So each of the standard estimated useful lives has some logic behind it and went through several rounds of industry comment. So although a particular standard estimated useful life might appear incorrect or arbitrary to you, you should be assured that it did go through several rounds of comment and there is some logic behind it.

Now, it may not be the right choice for your particular property and the particular component you're looking at, and HUD does not intend to restrict assessors' judgment at all. The only requirement is that when the assessor concludes to a life that's different from the standard life, there needs to be a comment explaining why. And the comment needs to be something that provides the basis for the assessor's judgment, not something like we've been doing this a long time. Trust us.

Rather, it should be the particular component here is especially durable because. Or these particular roofs face the wind and are aging faster than expected. Therefore, we've concluded to a lower life than the standard would indicate. Or these particular air conditioners have been lasting longer than 15 years and therefore, we've concluded to a longer remaining life.

So those would be useful and helpful and appropriate comments, but we've been doing this a long time. "Trust us" is not a useful or helpful comment.

Here's the alternatives form. This also includes a notes field and you can use that for commentary. Similarly, in the recommendations form, there's a location box and also a comment box. So you could be strategic about how you provide comment and you can provide it in these forms and that's the second way for providing narrative.

The third way, of course, is to use attachments. So if you're strategic about how you use narrative, you can speed up review by your HUD reviewer and you can make it easier for your HUD reviewer to find what she's looking for. At this point, we're going to go into the initial questions part of the session.

Oh, by the way, we have one more slide. I'm going to emphasize, again, how important the why is. So in the first 400 submissions, there -- this situation came up. The property has exterior lights and one of the alternatives being considered is especially durable and had, according to the assessor, a 25-year useful life. Now, that's longer than the standard life for this kind of exterior light fixture.

And the explanation the assessor provided is this is different from the component ID. Well, that's not really helpful at all. That basically is we've been doing this a long time. Trust us. A better explanation is this particular fixture is especially durable because, and maybe the because has to do with the housing. Maybe the because has to do with the cover. Maybe the because has to do with the lamp. But the point is to explain to your HUD reviewer why you concluded to the longer life.

Questions now, and these questions should have something to do with narrative or comment or attachments, and you can use -- send those using the chat box. You can send them to everyone or you can send them just to me, and in that case, address the comment in the chat box to see in a webinar.

Now, I'll take a little moment and wait to see if we have questions during this part of the presentation. Once we're through with this part of the presentation, we'll turn the recording off. Everybody can unmute your phone lines and we'll have a voice-to-voice discussion that can be about anything that's on your mind with the CNA e-tool.

We have a chat comment. Can we get copies of the presentation? Within a couple of weeks, either this session or one of the earlier sessions presenting the same material, will be video and audio recorded and will be posted on the HUD Exchange website. So you'll get to see the slides. You'll get to hear the presentation. And similarly, anyone who was not attending one of these webinars can get to see it. So that will be on the HUD Exchange website, which can be found through the HUD CNA e-tool homepage.

Any other questions about narrative, comment, attachments, or the feedback from HUD reviewers that we've been talking about? I'm not seeing any, so I'm going to go ahead and turn the recording off and I will also unmute everybody from my end.